

## **CITY OF ALAMEDA**

### **Memorandum**

To: Honorable Mayor and  
Members of the City Council

From: John A. Russo  
City Manager



Date: June 28, 2011

Re: Hold a Hearing to Establish the Proposition 4 (Appropriations) Limit for  
FY11-12 and Adopt a Resolution Establishing the Appropriations Limit for  
FY11-12

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### **BACKGROUND**

Proposition 4, commonly known as the Gann Initiative, was approved by the California electorate in November 1979. The purpose of the constitutional provision and the implementing legislation of Proposition 4 are to restrict growth of tax-funded programs and services by limiting the appropriations of the proceeds of taxes to the FY78-79 base year limit, adjusted annually for changes in population and per capita income, as governed by State Proposition 111. Proceeds of taxes in excess of the limit, with limited exceptions, must be returned to the taxpayers within two years by refund or reduction in tax rates, unless an extension of the limit is approved by majority popular vote.

### **DISCUSSION**

A resolution must be adopted to approve an annual appropriations limit each fiscal year. This action is required under Section 7910 of the Government Code and by Article XIII B of the California Constitution (commonly referred to as the "Gann Limitations"). The appropriations limit sets a cap on the amount of proceeds that can be received by the City from certain types of taxes.

Annual adjustments for per capita income and population may be made in either of two ways. Per capita income may be adjusted by the change in the State's per capita personal income or by the percentage change in the local assessment roll from the preceding year, resulting from the addition of new nonresidential construction in the City. Population may be adjusted by the change in the City's population or by that of the entire County. The City Council must decide which of these factors to use in adjusting the appropriations limit for FY11-12.

**CC/ARRA/CIC**  
**Agenda Item #4-A**  
**06-28-11**

To adjust per capita income for FY11-12, staff recommends using the change in the State's per capita personal income, because the local assessment information for FY11-12 is not available from the County of Alameda at this time. The State's personal income for FY11-12 increased 2.51% over the preceding year. In addition, staff recommends using the percentage growth of the County, which was .79%, as it exceeded the City's population growth of .49%.

Both of the two factors that were chosen for the calculation of the appropriations limit for FY11-12 are consistent with the factors used in the calculation of the limit in prior fiscal years.

#### FINANCIAL IMPACT

There is no financial impact from the adoption of the City's appropriations limit. For FY11-12, the City will continue to maintain a comfortable margin between the appropriations limit and net proceeds of taxes. The FY11-12 appropriations limit is established at \$85,785,664, as compared to the net proceeds of taxes for FY11-12, which is estimated to be \$49,746,368, which is approximately 58% of the limit.

#### MUNICIPAL CODE/POLICY DOCUMENT CROSS REFERENCE

This action does not affect the Alameda Municipal Code.

#### RECOMMENDATION

Adopt a resolution establishing the appropriations limit for FY11-12.

Respectfully submitted,



Fred Marsh  
Controller

Exhibit: Annual Appropriations Limit Calculation

**CITY OF ALAMEDA  
ANNUAL APPROPRIATIONS LIMIT CALCULATION  
FY11-12**

Price Factor:	Per Capita Personal Income Change			2.51%
Per Capita Cost of Living converted to a ratio:		$\frac{2.51+100}{100}$	=	1.0251
County Population Change:	0.79	$\frac{0.79+100}{100}$		1.0079
Calculation of factor for FY10-11	1.0251 x	1.0079	=	1.0332
FY10-11 Appropriations Limit			\$	83,029,235
FY11-12 Appropriations Limit			\$	85,785,664
FY11-12 Revenues subject to Appropriations Limit (Attachment A)			\$	49,746,368
Unused Appropriations Limit			\$	36,039,296

CITY OF ALAMEDA RESOLUTION NO. \_\_\_\_\_

ESTABLISHING APPROPRIATIONS LIMIT FOR FY11-12

WHEREAS, pursuant to Article XIII B of the Constitution of the State of California, the City Council of the City of Alameda is required to establish an "Appropriations Limit" for FY11-12; and

WHEREAS, the Appropriations Limit has been determined in accordance with uniform guidelines for Article XIII B of the California Constitution; and

WHEREAS, the voters approved Proposition 111 in June, 1990, which allows for new adjustment formulas for the appropriations limit calculation that is responsive to local growth issues.

The adjustment factors used to arrive at the FY11-12 limit are as follows:

2011-12      County Population increase of 0.79%; Per Capita  
Personal Income increase of 2.51%

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Alameda that said Council hereby establishes the Appropriations Limit in the amount of \$85,785,664 for 2011-12.

\* \* \* \* \*

I, the undersigned, hereby certify that the foregoing Resolution was duly and regularly adopted and passed by the Council of the City of Alameda in a regular meeting assembled on the 28th day of June, 2011, by the following vote to wit:

AYES

NOES:

ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the seal of said City this 29th day of June, 2011.

\_\_\_\_\_  
Lara Weisiger, City Clerk  
City of Alameda

Resolution #4-A  
06-28-11

Approved as to Form  
\_\_\_\_\_  
City Attorney